

I have a comment and a request relating to the Finance Committee report on this evening's Agenda. Based on information at the meeting, I believe that:

- **There is ample public evidence that the allowable 6% tax increase presented in the preliminary budget is in error due to an accounting timing issue**
- **The actual allowable tax increase is, most likely, much less**
- **It would be in the best interests of the public, the Board and the Administration to address this issue in a prompt, transparent manner**

This concerns the District's stated \$25.4 million Special Education expense for 2017-18. **This figure would be a startling increase of \$4.6 million, or 22%, over the prior year.** A figure that begs for explanation, as the community and indeed many of you requested. An initial analysis was presented at the March 11th Finance Committee meeting.

We learned from the presentation that half of the 2017-18 Special Education expense was categorized as Contracted Services, and that the increase in that category's expense accounted for 90% of the overall Special Education expense increase.

Then, in the very last page of the presentation it was revealed that 90% of that 90% was due to an increase in expenditures with just one vendor – the Chester County Intermediate Unit.

A number of explanations for this were offered but not quantified, such as: more expensive services, for more students, of a wider age range. However, one figure, **not documented but mentioned in passing**, caught my attention, and I've been worrying about it ever since the meeting. It's here where I think the public needs your help.

Director of Individualized Student Services, Chris Groppe stated, and Business Manager Art McDonnell confirmed, that over \$1 million of the Chester County Intermediate Unit expense attributed to 2017-18 was in fact to pay for services provided in 2016-17.

To some, this may not seem like a big deal – the District used services and paid for them eventually. However, in accounting timing is everything, and nowhere is this more true than in the Pennsylvania Department of Education's process to approve an Exception to raise taxes by more than the Act 1 Index. For Special Education, the Department has an automated system that takes numbers from the District's financial reports for 2016-17 and 2017-18 and calculates and approves the Exception tax increase for 2019-20.

The result from this system for TE for next year is a state-approved maximum Special Education tax increase of 3.6%, for a total of 6% when the Index is added. This is the tax increase approved by the District in the Preliminary Budget. A number that we now learn is based on an accounting timing error.

If in fact, say, \$1.25 million of expense is more properly recognized in 2016-17 than in 2017-18, then the increase in Special Education expenses between those years is in fact closer to \$2 million than \$4.6 million. This translates to an Exception of around \$1.5 million or 1.3%, rather than the claimed 3.6%. **When the Act 1 Index is added, this means the maximum tax increase would be 3.6% rather than 6%.**

The Pennsylvania Department of Education has provided me with the figures submitted by the District. They are the same numbers that we were told on March 11th were mis-classified. It's clear to me that the Board has an obligation to taxpayers to investigate this matter immediately and make the findings public. If it confirms that the current calculation is in error - however caused - then I am asking you to make this right and use the corrected value as the maximum potential tax increase.

Please can you confirm that you share my concern and that you will investigate it?

Ray Clarke